CAPITAL PLANNING MANUAL

FORMS AND INSTRUCTIONS

FEBRUARY 2016

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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

INTRODUCTION

The Technical Assistance Bureau (TAB) has produced this manual to provide municipalities with sample forms and instructions that can be used for an annual capital improvement program (CIP). The sample forms include 1.) a capital project submission form, 2.) a five-year capital plan, and 3.) an asset inventory. Sample data are displayed in all three forms for illustration purposes and may be downloaded by clicking this link: Sample Forms

TAB also created a separate, step-by-step guide for implementing a comprehensive, communitywide CIP, which can be found here: Capital Improvement Planning Guide.

Municipal departments using these forms must understand and adhere to the capital criteria defined by their local policymakers. Typically, communities define capital expenditures in terms of useful life and cost. For instance, a policy might state that to qualify as a capital expenditure, a proposed purchase or project must have a useful life of five years or more and must exceed $25,000 in cost. Both thresholds must be satisfied; otherwise the purchase or project is not a capital item and should be funded as an expense in the departmental operating budget. Local policy may also dictate that any capital expenditure less than $50,000 should be financed through cash and that requesting departments must clearly state all impacts to the operating budget in their project descriptions.

1. INSTRUCTIONS FOR COMPLETING CAPITAL PROJECT SUBMISSIONS

When completing the CIP submission forms, please do your best to fully complete each section because more detail makes the review process easier. Feel free to attach any helpful supplementary information. If possible, complete the forms electronically by typing in the text boxes and indicating checkmarks by typing "X" in the spaces provided.

HOW TO FILL OUT THE CIP SUBMISSION FORM

Project Number: For ease of tracking, the town administrator will assign unique project numbers to all projects. Multiyear projects will retain the same project number over the years.

Date Submitted/Date of Last Edit: Record the date this project was first submitted and, if applicable, the date of the most recent substantive edit (i.e., other than correcting a typo).

Project Title: Give the project a sufficiently descriptive title.

Category: Choose one of the categories below and delete those that do not apply:

> *Building* – new construction or a capital improvement to existing infrastructure
>
> *Equipment* – purchase of heavy equipment/large vehicles or large-scale IT infrastructure
>
> *Parks/Grounds* – capital improvement to parks, recreational fields, or other grounds
>
> *Land/Open Space* – purchase of land, property, or open space

Department: Department originating the request and responsible for the project

Contact: Name and contact information of the person overseeing the project

Department Priority: Check the appropriate checkbox based on the definitions below:

> *Urgent/Legally Required* – Completing this project will address an imminent risk to the safety of the public or municipal personnel, and/or it will prevent the imminent destruction or collapse of public infrastructure and loss of assets. Alternatively, this project is required to bring the community into compliance with federal or state safety, environmental, accessibility, or other regulations and legal requirements.
>
> *Maintain Service* – Completing this project is necessary to ensure level service for the upcoming fiscal year. This priority type may include projects that replace old or worn-out equipment, dramatically rehabilitate aging facilities, or facilitate a department's ability to meet increased service demands.
>
> *Enhancement* – Completing this project will provide a benefit to the community over and above the existing service level, or it will result in cost savings or other efficiencies.

New, Recurring, and Multiyear Projects:

New – This is a first-time submission.

Recurring – This is a routine project that must be completed annually or periodically, such as upgrading a pumping station's infrastructure or rehabilitating athletic fields. Update the submission text and financing information with any relevant changes for the upcoming year.

Multiyear – This project will span a number of phases over multiple fiscal years before being completed. Indicate the project phase for the forthcoming year and the total number of project phases. Multiyear projects are distinct from Recurring ones in that they have end dates. If this is the first submission of a Multiyear project, also select *New*.

Resubmission – This project was submitted in a previous year but not approved. For this submission, make any necessary updates to the description and cost estimates.

Description: Provide a basic description of the proposed project or equipment purchase, including:

- location (if a building)
- type of building
- intended use(s)
- whether land acquisition will be necessary (if a building)
- project timeline, including expected date for breaking ground
- discussion of primary cost drivers
- stakeholders involved
- expected useful life

Benefits of Project and Impact if not Completed: Provide your justification for the project in this box. Highlight the specific benefits that will directly result from completing the project. These details may depend on the chosen priority level. For instance, if the priority level is "Enhancement," you should fully describe any and all new benefits the project offers, including any cost savings or efficiencies. Just as importantly, state how the project will benefit community and administrative stakeholders. You should also explain what will happen if the project is not approved by fully describing the potential consequences to the community. This information is particularly important for projects classified as "Urgent/Legally Required" and "Maintain Service."

Discuss Operating Budget Impact: Explain the project's temporary and/or long-term impact on the operating budget. Oftentimes, capital projects (especially construction ones) can result in increased operating costs. Some may only be necessary for the project's duration (e.g., increased use of one building while another is demolished and reconstructed). Others may be longer lasting, such as a new building resulting in increased utility costs or the hiring of additional maintenance personnel.

In addition to a narrative description of the project's operating budget impact, put the dollar estimates into the appropriate boxes in the *Operating Budget Impact* table in the **Recommended Financing** section at the bottom of the form [the choices are: During Project, Post-Project Annual, and Post-Project One-Time].

Funding Category: Input figures for cost estimates into the appropriate detail line item box(s) only. The spreadsheet will automatically calculate the totals of each category.

Study/Design – feasibility studies, engineering, or design work required for the project

Land Acquisition – purchase of land or property necessary for the project

Construction – new building construction or capital improvement to existing infrastructure

Equipment/Furnishings – heavy equipment, vehicles, or major building fixtures

Contingency – This information is necessary to ensure adequacy of funds if project costs fluctuate from submission to project start. This should come from an informed, defensible analysis of potential future cost increases.

Other – another funding category not listed above. The project description should adequately explain why this category was chosen.

Funding Sources: For the given project, put a checkmark next to all applicable sources:

Tax Levy – funded with cash from standard general fund revenues (i.e., cash capital), including property taxes, motor vehicle excise, local receipts, and other available funds.

Debt – financed through the issuance of standard, general obligation bonds, with the subsequent debt service funded through the tax levy in the operating budget. For debt-funded projects whose debt service will be paid for by enterprise receipts, select this box and the *Enterprise Receipts* one.

Enterprise Receipts – funded by user fee receipts.

Capital Stabilization – funded by an appropriation from the capital stabilization fund.

Free Cash – funded through appropriation from certified free cash.

Revolving Fund – funded by revolving fund receipts.

CPA – If the project qualifies for one of the four allowable uses of Community Preservation Act funds, check this box and also check the CPA Purpose in the separate grid below. Also, input the proposed amount of CPA funds for each year in the calculation table on the left. Be sure that the project's narrative description explains how it qualifies for CPA funding.

Grants – Check this box if you anticipate that the project will be eligible for partial or full grant funding.

<u>**COMMUNITY PRESERVATION ACT SUBMISSIONS**</u>

For communities that have adopted the Community Preservation Act (CPA), M.G.L. c. 44B, a project may qualify for full or partial CPA funding if its purpose aligns with at least one of the following:

> *Open space* – to acquire, create, or preserve open spaces

> *Historic resources* – to acquire, preserve, rehabilitate, or restore historic buildings, structures, documents, or artifacts

> *Recreation* – to acquire, preserve, rehabilitate, or restore recreational land and facilities

> *Community housing* – to acquire, create, preserve, or support low and moderate income housing for families and seniors

When considering submitting a project for CPA funding, please keep in mind that there are some restrictions. Below are useful definitions for the types of projects allowed.

Permitted uses of CPA dollars:

> *Capital improvement:* Per Section 2 of the CPA statute, this applies to "reconstruction or alteration of real property," distinct from new construction, and the project must:

> - "materially add" or "appreciably prolong" the useful life of the property;
>
> - become "permanently affixed" in a way that "removal would cause material damage to the property or article itself"; and
>
> - become a "permanent installation" or remain for an "indefinite period of time."

> *Rehabilitation:* Rehabilitation involves making "capital improvements, or the making of extraordinary repairs, to historic resources, open spaces, lands for recreational use and community housing." This includes making improvements to comply with the Americans with Disabilities Act. For recreation projects, note that this also includes the replacement of playground equipment or other capital improvements that "make the land…or the related facilities more functional for the intended recreational use."

Use of CPA dollars for maintenance projects is prohibited. Maintenance here refers to "incidental repairs which neither materially add to the value of the property nor appreciably prolong the property's life, but keep the property in a condition of fitness, efficiency or readiness." Note that there is a significant difference between maintenance, capital improvements, and rehabilitation.

After your projects are submitted, they will be evaluated based on the criteria below. All evaluation criteria should be understood within the context of the municipality's strategic capital planning framework and by how they relate to furthering its overarching capital needs.

Public Safety and Health: What is the project's impact on existing public health and safety conditions? Does it address an existing concern, or is there is an increased risk for unforeseen consequences?

Legal Requirements: Is the project necessary to bring the community into compliance with a legal requirement or regulation mandated by the state or federal government?

Infrastructure: How does the request address the community's needs within the context of existing infrastructure problems, and how well does it integrate with that infrastructure?

Efficiency: Will the project make services more cost-effective by decreasing the amount of time and labor or overall costs?

Impact on Service and/or Personnel: Is the project necessary to support a new or expanded service the municipality is offering? An example might be the purchase of equipment needed to support and maintain a new park or recreational area. Or, if a department has recently increased staff, is the request necessary for equipment for the new staff to perform their work?

Note: This page should provide, in plain language, an overview of the criteria decision makers will use to evaluate and prioritize capital requests when building that year's capital budget. Including this information in the manual will help department heads to write complete and informative requests. The criteria above are suggestions; your community should decide its own based on local priorities and policies.